

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,189,100 thousand difference are as follows (in thousands):

Bonds payable	\$ 962,373
Less: Deferred charge on refunding (to be amortized as interest expense)	(15,798)
Deferred charge for issuance costs (to be amortized over life of debt)	(4,388)
Plus: Unamortized premiums on bonds sold	30,025
Special assessment debt	15
Claims and judgments payable	1,891
Accrued interest payable	5,945
Capital leases payable	140,112
Notes payable – Letter of Credit drawdown	2,134
Compensated absences	65,420
Unemployment compensation payable	1,271
Rebatable arbitrage	<u>100</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 1,189,100</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$49,597 thousand difference are as follows (in thousands):

Capital outlay	\$ 83,936
Depreciation expense	<u>(34,339)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 49,597</u>

NOTE 2 – CONTINUED

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net assets." The details of this \$102,656 thousand difference are as follows (in thousands):

In the statement of activities, only the gain on the sale of capital assets is reported. In the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the book value of the capital assets sold.	\$ (31,313)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>133,969</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 102,656</u>

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds." The details of this \$505 thousand difference are as follows (in thousands):

Property tax accrual	\$ 36
Surface Water Management service charge accrual	(297)
Probation and parole service charge accrual	(17)
Work release service charge net accrual	(100)
Fines and forfeits net accrual	<u>(127)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (505)</u>

NOTE 2 – CONTINUED

Another element of that reconciliation states, "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$75,618 thousand difference are as follows (in thousands):

Debt issued or incurred	
Issuance of general obligation bonds	\$ (22,510)
Capital lease financing	(184)
Letter of credit drawdown	(2,134)
Premium on bonds issued	(2,112)
Bond issuance costs	262
Deferred charges on refunding	663
Principal repayments	78,160
Receipts from component units for principal repayments	(887)
Payment to escrow agent for refunding	<u>24,360</u>
Net adjustment to increase <i>net changes in fund</i>	
<i>balances – total governmental funds to arrive at</i>	
<i>changes in net assets of governmental activities</i>	<u>\$ 75,618</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$18,276 thousand difference are as follows (in thousands):

Claims and judgments	\$ 19,529
Compensated absences	(2,427)
Accrued unemployment compensation	487
Accrued rebatable arbitrage	222
Accrued Interest	(342)
Amortization of issuance costs	(725)
Amortization of deferred charge on refunding	(3,643)
Amortization of bond premiums	<u>5,175</u>
Net adjustment to increase <i>net changes in fund</i>	
<i>balances – total governmental funds to arrive at</i>	
<i>changes in net assets of governmental activities</i>	<u>\$ 18,276</u>

NOTE 2 – CONTINUED

Another element of that reconciliation states, "Net revenues and expenses of certain activities of internal service funds are reported with governmental activities." The details of this \$2,519 thousand difference are as follows (in thousands):

Investment interest earnings	\$ 4,078
Intergovernmental revenue – operating grant	12
Revenues related to services provided to outside parties	2,041
Expenses related to services provided to outside parties	(2,061)
Gain on disposal of capital assets	422
Interest on long-term debt	(122)
Capital contributions	1,067
Transfers in	2,285
Transfers out	(3,204)
Internal service fund losses allocated to governmental activities	<u>(1,999)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 2,519</u>

Explanation of certain differences between the proprietary fund statement of net assets and the government-wide statement of net assets:

The proprietary fund statement of net assets includes a reconciliation between *net assets – total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statement of net assets. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The assets and liabilities of one internal service fund, Wastewater Equipment Rental Fund, are included in the business-type activities in the statement of net assets because the fund was established to serve the Water Quality Enterprise. The details of this \$14,947 thousand difference are as follows (in thousands):

Net assets of the business-type activities internal service fund	\$ 7,547
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds – prior years	(21,250)
Internal payable representing the amount undercharged to the enterprise funds by the governmental activities internal service funds – current year	<u>(1,244)</u>
Net adjustment to decrease <i>net assets – total enterprise funds</i> to arrive at <i>net assets of business-type activities</i>	<u>\$ (14,947)</u>

NOTE 2 – CONTINUED**Explanation of certain differences between the proprietary fund statement of revenues, expenses, and changes in fund net assets and the government-wide statement of activities:**

The proprietary fund statement of revenues, expenses, and changes in fund net assets includes a reconciliation between *change in net assets – total enterprise funds* and *change in net assets of business-type activities* as reported in the government-wide statement of activities. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$695 thousand difference are as follows (in thousands):

Investment interest earnings	\$ 130
Revenues related to services provided to outside parties	3
Expenses related to services provided to outside parties	(3)
Gain on disposal of capital assets	67
Capital contributions	112
Transfers in	76
Internal service fund losses allocated to business-type activities	<u>(1,080)</u>
Net adjustment to decrease <i>change in net assets – total enterprise funds</i> to arrive at <i>change in net assets of business-type activities</i>	<u>\$ (695)</u>